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Poland

Grain and Feed

Grain Production and Use Up in Poland

2004

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Report Highlights:

A near record grain crop, 4.5 MMT larger than in 2003, has created fear among farmers that they will face severe marketing problems immediately after harvest. At the same time increased profits for livestock resulting from increased demand following Poland's May 1, 2004 EU accession will result in larger than previously estimated grain feed use.

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Grain and rapeseed crops are reported to be much larger than last year and somewhat larger than previously estimated. According to a July 30 report by the Main Statistical Office (GUS), the initial 2004 crop estimate for basic grains (corn and buckwheat excluding millet) production is 24.9 –25.9 MMT, 16 –21 percent above the 2003 basic grain harvest. The estimated total grain production is 27-28 MMT if corn and buckwheat productions are added. Such production will be almost equal to the record production reported in 1990/91. As a result of favorable weather conditions and based on information from industry contacts, FAS Warsaw concurs with the estimate reported by GUS. Therefore, total grain production in Poland will be almost 1.8 MMT larger than estimated in our Grain and Feed Annual Report (PL4011, dated 5/6/2004) and 4.5 MMT or 20 percent above 2003 drought effected production.

The improved grain crop is in part the result of a larger crop area, when compared with last year when winter grains were reduced due to severe winterkill. This year winter losses were marginal. Winter grain area that had to be ploughed due to losses accounted for only 0.1% of the total planted winter grain area. As a result the winter grain acreage share increased this year and total grain area is estimated at 3.9 percent higher than a year ago. Weather during sowing of spring grains was favorable. An early spring plus good growing conditions during the spring and early summer allowed all grains to develop stimulating a large crop.

According to GUS all wheat acreage increased this year 6 percent, rye is up 8 percent, barley up almost 5 percent, oats up 7 percent and mixed grains area increased 3 percent. However, triticale was the same acreage as in 2003. GUS estimates winter wheat yield will increase 10-14 percent, spring wheat will increase 2-10 percent, rye yield up 16-21 percent, winter barley up 32 percent, spring barley up 9-14 percent, oats 10-15 percent and mixed grain yields up 11-16 percent.

Based on GUS estimates and the opinions of industry contacts our estimates of 2004 Polish grain production and area are as follows:

- total wheat 9.4 MMT from 2.45 Mha, up 19.9% and 6.2% respectively from 2003;
- corn 2.0 MMT from 0.36 Mha, up 6.2% and 1.1% from 2003;
- barley 3.50 MMT from 1.07 Mha, up 23.6% and 5.3% from 2003;
- rye 4.1 MMT from 1.60 Mha, up 29.3% and 8.2% from 2003;
- oats 1.46 MMT from 0.565 Mha, up 23.5% and 7.2% from 2003;
- Mixed grains (including Triticale) 7.3 MMT from 2.40 Mha, up 13.7% and down 1.6% from 2003;
- Total grains 27.8 MMT from 8.45 Mha, up 19% and 4% from 2003.

The 1.8 MMT larger grain crop than previously estimated will be used partly for increased feed use, increased stocks, some import reduction and possibly some exports. According to traders the only grain which could be exported is wheat, however, in case accepted local prices would about PLN 400 (\$112) per metric ton – below EU November intervention price. Currently, wheat prices on the local market are 25-30 percent higher.

In our grain and feed annual report we forecasted a significant decline in swine inventories, which would have significantly reduced grain feed use. However, accession with the EU resulted in higher than anticipated increased exports of pork, beef and poultry. This significantly increased producer prices for slaughter pork (around 20% since 1 May), beef (around 50% since 1 May) and poultry (around 30% since 1 May), while at the same time grain prices are declining. Increased profitability from livestock production will undoubtedly result in lower than previously expected livestock reductions and larger demand for feed.

Large grain crop estimates, combined with a new for Poland EU support system which has significantly modified intervention program (see PL4011 dated 5-6-2004), have led to farmer

concerns about grain prices right after the harvest. Until 2004, the majority of grains were traded in Poland within the Government of Poland intervention program immediately after harvest because most farmers do not have adequate storage facilities. The overall grain storage facilities and system in Poland still appears insufficient to meet the needs resulting from substantially increased production. Consequently, grain-procuring companies will pay as low prices as possible. While officials are trying to assure farmers that the intervention prices (Euro 101.3 equals PLN 460 per ton), which will become effective November 1st should not result in drastic price reductions, in many cases farmers will have to accept much lower prices compared to last season's winterkill and drought impacted crop.

In June the EU commission approved the Polish Government request to sell 300,000 tons of grain from GOP stocks. However, only a small amount was sold; only 2,850 tons in two tenders. That means that limited GOP stocks were not liquidated before the new harvest.